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MEMORANDUM TO: CS/INT
FROM : CS/IND *M.S.*
SUBJECT : State Department Obstruction of Economic Indicators
Submitted by CIA at the Watch Committee

DATE REVIEWER:

1. At the Watch Committee meeting on 16 September I presented our interpretation of the 12 September Soviet Agricultural decree. We had discussed it at our pre-watch meeting on Tuesday, compared notes with []
[] on Tuesday afternoon and Wednesday morning to get ORR's interpretation and on the basis of this study [] prepared the interpretation I presented, copy of which is attached. Granted, it is not exhaustive and does not present many of the facets of Soviet economy which can be explored in the light of the new decrees but I am convinced that it is an accurate summary of the provisions of the decree and that it does provide useful indications of the effects the decree will have upon the agricultural sector of Soviet economy.

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2. After my presentation and a couple of questions Boris Klossen asked, "Are you proposing that this be incorporated in the minutes of the meeting?" I replied that I could see no reason why it should not be included but that I was not in a position to insist on it. Boris replied, "As you know, the decree is about 50 pages long and we in State have not had time to read it all yet so I propose that we hold it until our people have had an opportunity to get together with your people on it. It is a long-range indicator and therefore a week or two delay wouldn't make much difference." My reply was to the effect that CIA had read it and had a version of it and the readers of the minutes were at least entitled to know that the committee was cognizant of the decree. To this Boris replied that all the readers would have seen it in the press anyway. I said that I could see no objection to State representatives discussing it with CIA but that I was not in favor of a subcommittee approach to the problem because the number of man hours wasted was not justified by the final product. This comment was based on the two half day sessions of a subcommittee to consider the "status of the Great Projects" in the USSR (probably 100 - 150 man hours without counting preparatory work) only to agree that State could not agree with a version acceptable to all other agencies represented. On that occasion also, when the matter was finally presented to the committee, Boris disagreed and Gen. Williams decided that nothing would be included in the minutes. I cannot assess the degree to which Boris' opposition affected Gen. Williams' decision but it certainly was a factor.

3. The foregoing all adds up to the fact that whenever CIA presents any economic indicators to the Watch Committee there is automatic opposition from the State Department and in every case it becomes evident that OIR has

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not been able to arrive at an interpretation or has arrived at one which is, in most cases, at substantial variance with the concensus of the other committee members.

4. When an item is presented by one of the services concerning military developments or by State concerning a political development there is an acknowledged, clear-cut field of responsibility. In the field of economic indications there is not even a "gentleman's agreement" and everybody gets into the act with the result that the matter is shelved for lack of agreement.

5. Given the present world situation I am convinced that the field of economic indications is much too valuable to be scuttled because of lack of acknowledged responsibility for its exploitation. Until such responsibility is delineated, therefore, the results of the Watch Committee operations are going to remain unbalanced because of lack of proper emphasis on economic factors. This may be an unfortunate time to push ORR into the indications business in support of CIA's responsibility to the Watch Committee but I am convinced that any change from the present state of things would be an improvement and the results would justify a little extra effort.

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Soviet Agricultural Decree

The Soviet Agricultural Decree of 12 September admits past failings in agriculture and provides for a comprehensive program to increase the output of farm products and improve the agricultural organization. The decree is divided into six sections containing detailed measures to achieve the following goals:

- (1) A large increase in livestock herds and poultry flocks
- (2) A larger output of potatoes and vegetables
- (3) Increases in the output of grain, industrial and oil-bearing crops
- (4) Improvements in the machine tractor stations
- (5) Better guidance by ministry and other government personnel
- (6) Improvement in the party organization and political work

These extensive changes in the agricultural organization may be significant from several points of view:

(1) The larger output of farm products will help implement Malenkov's program to increase the output of consumers' goods. Although Malenkov's August 8th speech announced a relatively small increase in consumers' goods in 1953 over that originally planned, the increases in 1954 and 1955 will probably be larger and will amount to a more significant shift in resources to consumers' goods. The gradualness in the increase in the output of consumers' goods will make it possible to achieve these goals by means of the growth of resources in the economy rather than by any actual cut in investment or armament expenditures.

(2) Past studies of the five-year goals in agriculture have concluded that these goals would probably not be achieved. The present decree will undoubtedly improve the possibility of achieving their goals. However, the goals for the necessary fodder and fertilizer still seem extremely ambitious, if not impossible. On the other hand, the increase in the output of farm tractors is in the line with the Fifth Five Year Plan and will probably be achieved.

(3) The decree attempts to improve in various ways work incentives on collective farms. However, it is doubtful whether these attempts will successfully overcome the ~~disadvantages~~ of large-scale farming believed by most economists to prevail in the USSR.

(4) It is possible that the increase in party and governmental supervision and the numerous changes will result in some peasant unrest in spite of the attempts to avoid it.

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